

Will John Healey's budget be a disaster?

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Could the October 2026 Budget become one of the biggest failures in British Budget history?

Chancellor John Healey will deliver his first Budget for Andy Burnham's Labour government on 28 October, but I fear he may be preparing for an economic future that simply does not exist.

In this video, I explain why the world economy faces extraordinary risks in 2027 and why the Chancellor must fundamentally rethink his approach to economic management if we're going to survive them.

War with Iran could continue to disrupt global energy supplies and international shipping.

An AI investment crash could threaten hedge funds, private equity, private credit markets and mainstream banks.

Meanwhile, climate disruption could cause food shortages and rising prices.

These crises could happen simultaneously, creating economic instability far greater than anything conventional Treasury forecasts might anticipate.

We have seen governments make this mistake before. Alistair Darling's March 2008 Budget failed to anticipate the scale of the financial crisis, while Rishi Sunak's March 2020 Budget was overtaken almost immediately by the COVID pandemic.

I believe that John Healey risks repeating those mistakes unless he recognises the dangers ahead and prepares Britain for a period of profound economic uncertainty.

Rather than relying on arbitrary fiscal rules and optimistic forecasts, I propose six priorities for the October Budget.

First, government must take responsibility for meeting people's essential needs,

including healthcare, social care, housing and social security.

Second, democratic government must reclaim control of economic policy from financial markets, replacing fiscal rules with meaningful objectives such as full employment, price stability and environmental sustainability.

Third, economic planning must recognise the real resources available, including workers, skills, materials and productive capacity, while ensuring inflation remains under control.

Fourth, productive investment must take priority over financial extraction. Britain needs sustained investment in infrastructure, renewable energy, housing and public services.

Fifth, reducing inequality must become an explicit objective of government policy, supported by fairer taxation and stronger action against tax avoidance.

Finally, economic success must be measured by improvements in people's lives rather than arbitrary financial targets.

I argue that Britain needs a Budget built around economic resilience, public investment, equality and a politics of care.

The Chancellor cannot assume that the world will return to normal. He must prepare for likely instability while ensuring that people's essential needs are met.

John Healey has an opportunity to demonstrate genuine economic leadership. But if he ignores the risks facing Britain, his Budget could become irrelevant almost immediately.

The future of Andy Burnham's government may depend on the choices he makes.

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This is the transcript:

Could the October budget be one of the biggest failures in UK budget history? John Healey, our Chancellor of the Exchequer, will present the new Labour government's budget on October 28th. That's next Wednesday.

At the same time, the world economy is facing extraordinary risks over the coming year. War, financial instability and climate change could combine to create a crisis. So will our Chancellor recognise these threats or pretend that everything is normal? The future of Andy Burnham's government could depend on his answer.

Now, let me start by explaining what a government budget is really for. A budget is not primarily about changing tax rates, although if you watch the media, you would think that it is. It actually sets out the government's economic priorities and spending plans. Parliament then authorises this budget, and that permits government spending and the associated creation of money by the Bank of England. As a consequence, a budget is a fundamental process in the economic management of the UK. And all of this is not just a performance. It is a vital economic exercise.

So the budget should explain how available resources will be used by the government. It is a political and economic statement about the future, and it sets out a government's view on both.

And the reality is that the world economy could face multiple crises in 2027. War involving Iran could continue to disrupt oil and gas supplies. The closure of major shipping routes in both the Strait of Hormuz and the Red Sea, threatening the Suez Canal, could continue to threaten international trade. An AI investment crash could destabilise financial institutions, and climate disruption could cause serious food shortages and price increases.

These crises could all happen simultaneously in 2027, making their consequences very much worse. One of them would be enough to disrupt any of John Healey's plans. All of them would blow everything asunder. And the resulting financial instability could be particularly dangerous.

The enormous investment in AI, for example, may never generate adequate returns. When that is realised, a crash could threaten hedge funds, private equity funds, and the private credit market, which is otherwise called secondary banking. These financial institutions now have extensive interests throughout the UK economy. Their failure could then threaten the well-being of this country, the employment of many people and our mainstream banks, and could require extensive government intervention. The potential political consequences could easily exceed those of the 2008 financial crisis, especially as private equity is now so influential.

Conventional economic forecasts may, however, ignore these facts. Treasury forecasting assumes that economies always tend towards what is called the 'mean', that is, normality. And this idea is underpinned in economic theory when it says that

everything tends towards equilibrium. This idea encourages expectations that economic conditions will simply return to normal. That assumption seriously underestimates the consequences of major disruptions at a moment like this. Worse, a budget based on those assumptions could be irrelevant almost immediately, and we have seen this happen before.

British Chancellors have previously delivered budgets that have been overtaken by events. Alistair Darling's March 2008 budget underestimated the coming financial crisis. He forecast a deficit of £43 billion in the following year, but that was eventually exceeded more than threefold.

Rishi Sunak's March 2020 budget, which I remember all too well, failed to anticipate the full economic impact of COVID. His forecast for the sum required to cover that cost was £30 billion. We all know that it ran to hundreds of billions of pounds. His economic forecasts were overtaken almost immediately by lockdowns. Everything changed.

And John Healey risks repeating these mistakes in October 2026, but he has all the information he needs to avoid making these mistakes. The threats that we face are glaringly obvious.

As a result, he now needs to take a fundamentally different approach to this budget. His budget must recognise the possibility of these simultaneous economic crises quite explicitly.

The government cannot assume that markets will resolve these problems. It won't. It has created them.

It must instead establish how essential services and supplies will be maintained. Economic planning must be put in place to ensure that real resources are available to everyone who needs them, and that arbitrary financial targets do not disrupt effective economic management in the interests of the people of this country.

Six fundamental priorities should then shape the government's response to the situation we are now facing and the budget that we need.

Firstly, the government must accept responsibility for meeting people's needs. The budget should begin by identifying unmet needs throughout society. Social security, disability support, the NHS and social care all require rebuilding. They are priorities. Local authorities need sufficient resources to provide essential services, and workforce planning must ensure that trained people can deliver these services.

Meeting human needs must be the first priority of any government's economic policy, but at this moment, when there is a threat to that ability, these become essential. That means planning for rationing might also be required, as my plans for wartime taxation, as Keynes delivered in 1940. Our Chancellor needs to show that he is prepared to be in

charge of this crisis and not be a victim of it. Needs must be anticipated. He must make it clear that he has the plans in place to manage any crisis coming our way.

Secondly, democratic government must also reclaim the power to govern in the face of this crisis. Labour's fiscal rules should be replaced by meaningful economic objectives. Full employment, public services, price stability, and planetary sustainability should guide our economic policy. The Treasury and the OBR should assess how these objectives can be achieved, and the Bank of England must be required to comply with their demands. Bank of England independence is a joke in a situation like this, and the myth must be suspended.

Essential services must take priority over financial claims, and vitally failed private utilities like water should be brought back under public ownership now. The time to do so later may not exist. We have to anticipate a crisis.

Thirdly, economic planning must recognise real resources and environmental limits. Government spending can create money, but it cannot automatically create resources. Housing investment requires builders, materials, planners, and infrastructure. Government must plan to develop the skills and supply chains needed for its programmes. Housing is one, but there are many others. And inflation must be managed by balancing demand against available supply. Whilst taxation must be planned with inflation control in mind. It must withdraw spending power when necessary to maintain price stability. That is its primary economic purpose. This needs to be said now. This is the basis of the plans that we need.

Fourthly, real investment does now take precedence over financial extraction. Britain needs sustained investment in housing, energy, transport, and infrastructure. It needs investment in its people as well. And long-term commitments can begin now. Even in a crisis environment, we should be planning and encouraging businesses to invest and workers to train. The point is that did begin in World War II. The basis for the post-war economy that delivered prosperity to so many in a way that they had never previously known was laid during the war years. We now need to think in that same way.

Pension and tax advantages of the sort I've discussed in recent videos could be made conditional on supporting new investment, as I have suggested. This could provide the capital that is required to underpin the investment programmes that the government should be delivering, and savings can, as a consequence, be directed towards projects that meet social and economic needs. Financial policy should support productive investment rather than asset speculation. In a time of crisis, the City of London seems remarkably irrelevant.

Fifthly, reducing inequality must become an explicit government objective. If we are to have a society worth saving, it must be a fair one. Income from wealth should be taxed more consistently with income from work. Excessive pension tax relief should be restricted. That could save billions of pounds a year. Tax avoidance and tax evasion

must be tackled much more effectively. And a simple investment in HM Revenue and Customs could achieve those outcomes. The money is there to be had.

The budget's impact should be assessed across all income deciles with the specific objective of reducing inequality. Taxes, public services, social security, and housing costs must be considered together. They all form a united package.

And sixth but not least, economic success must be measured by improvement in people's lives. Government should establish measurable targets for reducing poverty. Full employment in well-paid work must be its goal for everyone. Healthcare outcomes, better housing conditions and emissions must improve. Every budget should report progress on these targets and explain failures to deliver. Economic policy must be accountable for its real consequences.

Next week's budget then must prepare Britain for a very different future. Neoliberalism is dead. We know we need something else. This is the time for the Chancellor to say that this government is in charge of that process.

The Chancellor cannot then reasonably assume that the world will return to normal. There is no evidence that it will.

The government must instead plan for instability while meeting people's essential needs.

Public investment, economic resilience, and greater equality must take priority. A politics of care provides a framework for making these choices. A successful budget should be judged by whether it makes people's lives better. That is the one and only test that John Healey needs.

At present, John Healey is at serious risk of failing to do that and of becoming a laughing stock in the history of disastrous budgeting if he fails to take the issues that I'm highlighting here into account.

He might put forward a budget that will, in months, become so irrelevant that it will just look farcical. He cannot afford to do that. We have to have something better than that, and my plan will make him a man in charge with a vision to manage a crisis.

Will he respond? It's not too late to do so. His future and that of Andy Burnham rest on his changing tack and delivering a budget that looks like this. It might be unprecedented, but that doesn't matter. So are these times. We need a budget for this moment, and what I've just talked about is that.

That's what I think, of course. You may disagree, in which case let us know in the poll down below. Let us have your comments. We will take a look at them, and please do like and share this video. Please also subscribe to the channel and do hit that bell button because that means you will be told when we make further videos. And if you

want to support our work, we'd be really grateful if you did. And there is a button down below. It's called Ko-fi, or Coffee, and you can donate through there. Thank you very much.

Poll

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